

# **City of Dearborn Heights, Michigan**

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## **Federal Awards Supplemental Information June 30, 2003**

# City of Dearborn Heights, Michigan

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## Independent Auditor's Report

To the Mayor and City Council  
City of Dearborn Heights, Michigan

We have audited the basic financial statements of the City of Dearborn Heights, Michigan for the year ended June 30, 2003 and have issued our report thereon dated October 7, 2003. Those basic financial statements are the responsibility of the management of the City of Dearborn Heights, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Dearborn Heights, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 7, 2003

## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Mayor and City Council  
City of Dearborn Heights, Michigan

We have audited the financial statements of the City of Dearborn Heights, Michigan as of and for the year ended June 30, 2003 and have issued our report thereon dated October 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Dearborn Heights, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Dearborn Heights, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Mayor and City Council  
City of Dearborn Heights, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 7, 2003

## Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards

To the Mayor and City Council  
City of Dearborn Heights, Michigan

### Compliance

We have audited the compliance of the City of Dearborn Heights, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The major federal programs of the City of Dearborn Heights are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn Heights, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn Heights, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn Heights, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn Heights, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn Heights, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 03-I.

To the Mayor and City Council  
City of Dearborn Heights, Michigan

## **Internal Control Over Compliance**

The management of the City of Dearborn Heights, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn Heights, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 7, 2003

# City of Dearborn Heights, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant Program:	14.218	N/A	
2002 program year - B-02-MC-26-0005			\$ 557,580
2001 program year - B-01-MC-26-0005			645,423
2000 program year - B-00-MC-26-0005			813,212
1999 program year - B-99-MC-26-0005			<u>74,225</u>
Total U.S. Department of Housing and Urban Development			2,090,440
U.S. Department of Transportation - Federal Surface Transportation Grant - Passed through the Michigan Department of Transportation - State-administered expenditures:	20.205		
US 24 from Vanborn to Dartmouth		HH3476	247,945
US 24 from Vanborn to Oxford		HH2439	227,095
Concrete overlay from US 24 over Ecorse Creek		HH3478	26,287
Vanborn from Pelham to Southfield Road		HH2950	65,605
Southfield Service Drive		HH3243	<u>241,293</u>
Total U.S. Department of Transportation			808,225
U.S. Department of Justice - Bureau of Justice Programs - Local Law Enforcement - Block Grant number 2002-LB-BX-3989	16.592	N/A	<u>62,637</u>
Total federal awards			<u><u>\$ 2,961,302</u></u>



# City of Dearborn Heights, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn Heights, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program	CFDA		Amount
	Number	Description	
Community Development Block Grant	14.218	First Step	\$ 20,000

# City of Dearborn Heights, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2003

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.205	Michigan Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# City of Dearborn Heights, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
03-I	<p><b>Program Name</b> - Community Development Block Grant, CFDA 14.218</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - The grant requires that the City monitor any subrecipients.</p> <p><b>Condition</b> - The City had only one subrecipient, First Step, in the current year. The City was understaffed in the current year and the monitoring visits were not completed as anticipated.</p> <p><b>Questioned Costs</b> - \$20,000</p> <p><b>Recommendation</b> - The City should provide for monitoring visits of First Step, the subrecipient, as required by the grant contract.</p> <p><b>Grantee Response</b> - The City has now sufficiently filled its open positions, and will monitor the subrecipient accordingly.</p>